

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

October 27, 2006

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

PSF No.:06OD-199

OAHU

Amend Prior Board Action of October 12, 2001 (Item D-7), Set Aside to Housing and Community Development Corporation of Hawaii for Affordable Rental Housing Project; Authorize Hawaii Housing Finance and Development Corporation to Cancel, Create, or Relocate Any Easements Incidental To and Necessary for the Senior Residence at Iwilei Project; and Authorize Hawaii Housing Finance and Development Corporation Condominium Property Regime for the Senior Residence at Iwilei Project, Honolulu, Oahu, Tax Map Key: (1) 1-5-7:portion 1 and 2.

APPLICANT:

Hawaii Housing Finance and Development Corporation (HHFDC), whose business and mailing address is 677 Queen Street Suite 300, Honolulu, Hawaii 96813.

LEGAL REFERENCE:

Section 171-11, 13 and 95, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Kuwili, Honolulu, Oahu, identified by Tax Map Keys: (1) 1-5-7:portion 1 and 2, as shown on the attached map labeled Exhibit A.

ZONING:

State Land Use District: Urban
City and County of Honolulu CZO: BMX 3 & IMX 1

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State
Constitution: YES _____ NO _____x

CURRENT USE STATUS:

Encumbered by Governor's Executive Order No. 4130, Housing and Community Development Corporation of Hawaii, for affordable rental housing project purposes.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

The Final Environmental Impact Statement acceptance notice for the subject project was signed by the Governor on April 2, 2002.

BACKGROUND:

The Governor on October 24, 2005 signed Executive Order No. 4130. The State property is the last significant State property available for affordable housing development in urban Honolulu. HCDCH plans to develop the Senior Residence at Iwilei. HCDCH granted approval of Pacific Housing Assistance Corporation (PHAC) as developer for this project on September 21, 2002. The project will consist of 160 units (including Manager's unit). 40 units will be at 50% and below the U.S. Department of Housing and Urban Development (HUD) Median Income. 119 units will be at 60% and below the HUD Median Income. The developer has established a Hawaii limited partnership (LP), Senior Residence at Iwilei Limited Partnership, with a Hawaii non-profit corporation, Pacific housing Oahu Corporation Iwilei Residence, as the general partner. The LP is a single-asset entity which will develop, own and operate the 160 unit, affordable elderly rental project. On August 22, 2002, the HCDCH Board approved use of \$34,500,000 construction loan and \$35,500,000 permanent loan from the Dwelling Unit Revolving Fund (DURF). The Governor on March 4, 2004, approved the release of DURF funds.

On September 14, 2006, HHFDC Board of Directors approved to authorize the Executive Director or designee to cancel, create, or relocate any easement incidental to and necessary for the Senior Residence at Iwilei. This was based on the developer's finding that several easements will need to be cancelled and/or rerouted:

1. Easements 6 and 39 for storm drain purposes will be cancelled;
2. Easements 7, 8 and 35 for storm drain purposes will be cancelled and rerouted to a more convenient location on site;
3. Easement 9 for sanitary sewer purposes will be cancelled and rerouted to a more convenient location on site;
4. Easements 11 and 38 for railroad purposes will be cancelled;
5. Easements 13 and 37 for electric power line purposes will be cancelled and replaced with a blanket easement; and
6. Easements 12 and 40 for roadway purposes will be cancelled.

Additionally, HHFDC Board of Directors approved a condominium property regime (CPR) for the Senior Residence at Iwilei. A CPR is needed because of the different uses (Adult day-care center on the ground floor; Administrative offices; and residential rental apartment units). The CPR is also needed for financing purposes (tax credit and bond).

REMARKS:

Staff discussed the October 12, 2001 approval with HHFDC staff. Based on the developer's finding the October 12, 2001 approval does not cover Easement 9 (sanitary sewer) and it does not allow HHFDC or its developer to relocate the applicable easements. Based on this, staff is requesting Recommendation 3 be deleted.

The HHFDC Board of Directors on September 14, 2006, authorized the Executive Director or designee to cancel, create, or relocate any easement incidental to and necessary for the Senior Residence at Iwilei and approved the condominium property regime. Based on this, staff is requesting authorization be granted to HHFDC. This will allow HHFDC and their developer to proceed with the Senior Residence at Iwilei project.

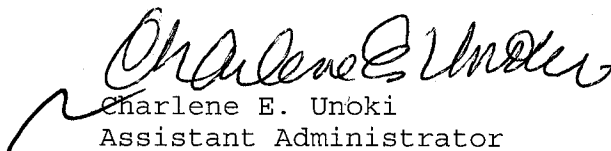
RECOMMENDATION: That the Board:

1. Amend its prior Board action of October 12, 2001, under agenda Item D-7 by deleting

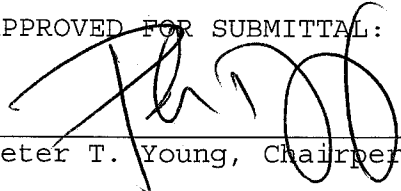
Recommendation 3. Authorize the cancellation of the railroad, road, drainage and electrical easements located on the subject lands.
2. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200, HAR, this action will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment.
3. Authorize HHFDC on behalf of the State of Hawaii to cancel, create, or relocate any easement incidental to and necessary for the Senior Residence at Iwilei.
4. Authorize HHFDC on behalf of the State of Hawaii to proceed with the condominium property regime (CPR) for the Senior Residence at Iwilei.

5. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,


Charlene E. Unoki
Assistant Administrator

APPROVED FOR SUBMITTAL:



Peter T. Young, Chairperson

Reviewed and Approved by the Executive Director *D.V.*
September 14, 2006

FOR ACTION

- I. REQUEST:** Approval of Cancellation and Establishment of Various Easements, and Establishment of a Condominium Property Regime for the Senior Residence at Iwilei Project, Iwilei, Oahu, Hawaii; TMK (1) 1-5-7: 002.

II. FACTS

- A. Project Description**
- Name: Senior Residence at Iwilei
Location: Iwilei, Honolulu, Hawaii,
Corner of North King Street and Iwilei Road
- Land Ownership: State of Hawaii Department of Land and Natural Resources (DLNR)
HCDCH Involvement: Set Aside of the Land to Housing and Community Development Corporation of Hawaii (HCDCH); Ground Lease to Developer
- Type: Elderly Housing Project
No. of Units: 160 (Including Manager's Unit)
Market: 40 Units at 50% and Below the U.S. Department of Housing and Urban Development (HUD) Median Income; 119 Units at 60% and Below the HUD Median Income
- Tax Map Key: 1-5-07: 002
Acres: 1.825 Acres
- B.** Approval of Pacific Housing Assistance Corporation (PHAC) as the developer for this project was granted by HCDCH on September 21, 2002. The developer has established a Hawaii limited partnership (LP), Senior Residence at Iwilei Limited Partnership, with a Hawaii non-profit corporation, Pacific Housing Oahu Corporation Iwilei Residence, as the general partner. The LP is a single-asset entity which will develop, own and operate this 160-unit affordable elderly rental project.
- C.** On August 22, 2002, the HCDCH Board approved use of the following from the Dwelling Unit Revolving Fund (DURF) for this project:
- | | | |
|-------------------|--------------|---|
| Construction loan | \$34,500,000 | 3% interest per annum |
| Permanent loan | \$35,500,000 | 50% of residual receipts;
Debt repayment of 5%
interest on remaining balance
upon retirement of 1st
mortgage loan |
- D.** On June 19, 2003, the HCDCH Board concurred with the DURF financing for the project previously approved on August 22, 2002, subject to achievement of the following by October 31, 2003:
1. Approval of the Chapter 201G, Hawaii Revised Statutes (HRS), zoning exemptions by the City and County of Honolulu; and

2. Approval of a revised financing plan by the HCDCH Board.

The 201G, HRS, zoning exemptions for the project were approved by the City and County of Honolulu on August 11, 2004. On August 10, 2006, the condition to obtain HHFDC Board approval of a revised financing plan was extended by the HHFDC Board to August 31, 2007.

- E. The Governor approved the release of DURF funds on March 4, 2004.
- F. The land is owned by DLNR. On October 12, 2001, the Board of Land and Natural Resources approved the set aside of 1.825 acres to HCDCH for the subject project and the balance of the 5.7 acres site to DAGS for a future State office building. After HCDCH receives the set aside from DLNR, HCDCH will enter into a lease with the developer for \$1.00/year for 55 years. Approval to issue the lease to the developer was granted by the HCDCH Board on September 21, 2001 and August 22, 2002.
- G. The project design was revised during the zoning exemption process. The City and County of Honolulu approved a revised subdivision of the Iwilei property on October 29, 2004. The Land Court approved the revised subdivision requirements on April 25, 2005.
- H. On October 24, 2005, the Governor approved Executive Order Nos. 4130 and 4131 setting aside the 1.825 acre property for the Senior Residence at Iwilei project, TMK 1-5-7: 002, to HCDCH, now the Hawaii Housing Finance and Development Corporation pursuant to Act 196, 2006 Session Laws of Hawaii and Act 180, 2006 Session Laws of Hawaii (HHFDC Property) and the adjacent 3.791 acre State office building site, TMK 1-5-7: 001, to DAGS (DAGS Property), respectively.
- I. During the subdivision process, the City and County of Honolulu required Easement U on the DAGS Property, adjacent to the HHFDC Property, for access and utility purposes. See attached Exhibit "A." Easement U is 56' wide and 29,467 square feet and connects the existing Kaaahi Street to Iwilei Road. The City required Easement U for limited vehicular access. The Senior Residence at Iwilei project requires Easement U for utilities and emergency vehicle access. In addition, the Senior Residence at Iwilei project requires Easement U in order to cancel an existing 40' access easement (Easement 12) in favor of Parcel 29 (owned by 300 Corporation) which traverses the HHFDC Property.
- J. On April 28, 2006, the Board of Land and Natural Resources approved the following:
 - 1. Cancellation of Easement 12;
 - 2. Issuance of perpetual non-exclusive Easement U in favor of 300 Corporation (50% interest), HCDCH (25% interest), and DAGS (25% interest), for access and utility purposes, subject to the following:
 - a. Issuance of Easement U to 300 Corporation after completion of the Senior Residence at Iwilei project, but no later than 5 years from the date of the Land Board's approval;
 - b. Standard terms and conditions of the most current perpetual easement document form, as may be amended from time to time;

- c. Review and Approval by the Department of the Attorney General; and
 - d. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interest of the State.
- 3. Issuance of a construction right-of-entry to HCDCH over Easement U, subject to the following:
 - a. The standard terms and conditions of the most current right-of-entry form, as may be amended from time to time;
 - b. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interest of the State.
- K. The HHFDC Property is also subject to the easements and encumbrances listed on the attached Exhibit "B."

III. DISCUSSION

- A. This For Action seeks approval of the cancellation of Easement 12 and the approval of Easement U as approved by BLNR on April 28, 2006, as discussed above.
- B. The developer also estimates that the following easements will need to be cancelled and/or rerouted, subject to final review, and approval by DLNR:
 - 1. Easements 6 and 39 for Storm Drain Purposes will be cancelled;
 - 2. Easements 7, 8 and 35 for Storm Drain Purposes will be cancelled and rerouted to a more convenient location on site;
 - 3. Easement 9 for Sanitary Sewer Purposes will be cancelled and rerouted to a more convenient location on site;
 - 4. Easements 11 and 38 for Railroad Purposes will be cancelled;
 - 5. Easements 13 and 37 for Electric Power Line Purposes will be cancelled and replaced with a blanket easement;
 - 6. Easement 40 for Roadway Purposes will be cancelled as part of the cancellation of Easement 12.
- C. This For Action also seeks authorization for the Executive Director to cancel, create or relocate any easement incidental to and necessary for the Senior Residence at Iwilei project.
- D. This For Action also seeks approval of the creation of a condominium property regime for the Senior Residence at Iwilei project for the following different uses:
 - 1. Adult day-care center on the ground floor;
 - 2. Administrative offices; and
 - 3. The residential rental apartment units.

To create the condominium, HHFDC may be requested to join as "Declarants" and subject the HHFDC Property to the condominium property regime.

- F. The developer is concurrently seeking BLNR's approval of the cancellation and establishment of the various easements and condominium property regime described herein.

IV. RECOMMENDATION

That the HHFDC Board of Directors approve the following, substantially as discussed in this For Action, subject to other terms and conditions deemed necessary by the Executive Director:

- A. Cancellation of Easement 12 on the HHFDC Property, TMK 1-5-7: 002;
- B. Approval of Easement U on the DAGS Property, TMK 1-5-7: 001;
- C. Authorize the Executive Director or designee to cancel, create, or relocate any easement incidental to and necessary for the Senior Residence at Iwilei project; and
- D. Approval of a condominium property regime for the Senior Residence at Iwilei project.

Attachment: Exhibit "A" – Location Map
Exhibit "B" – Existing Encumbrances

Prepared by: Stan S. Fujimoto, Project Manager *SP*
Reviewed by: Tom Otake, Acting Development Section Chief *TO*

Approved by The Board of Directors at its meeting
on SEPTEMBER 14, 2006
DEVELOPMENT SECTION

Please take necessary action.


EXECUTIVE DIRECTOR

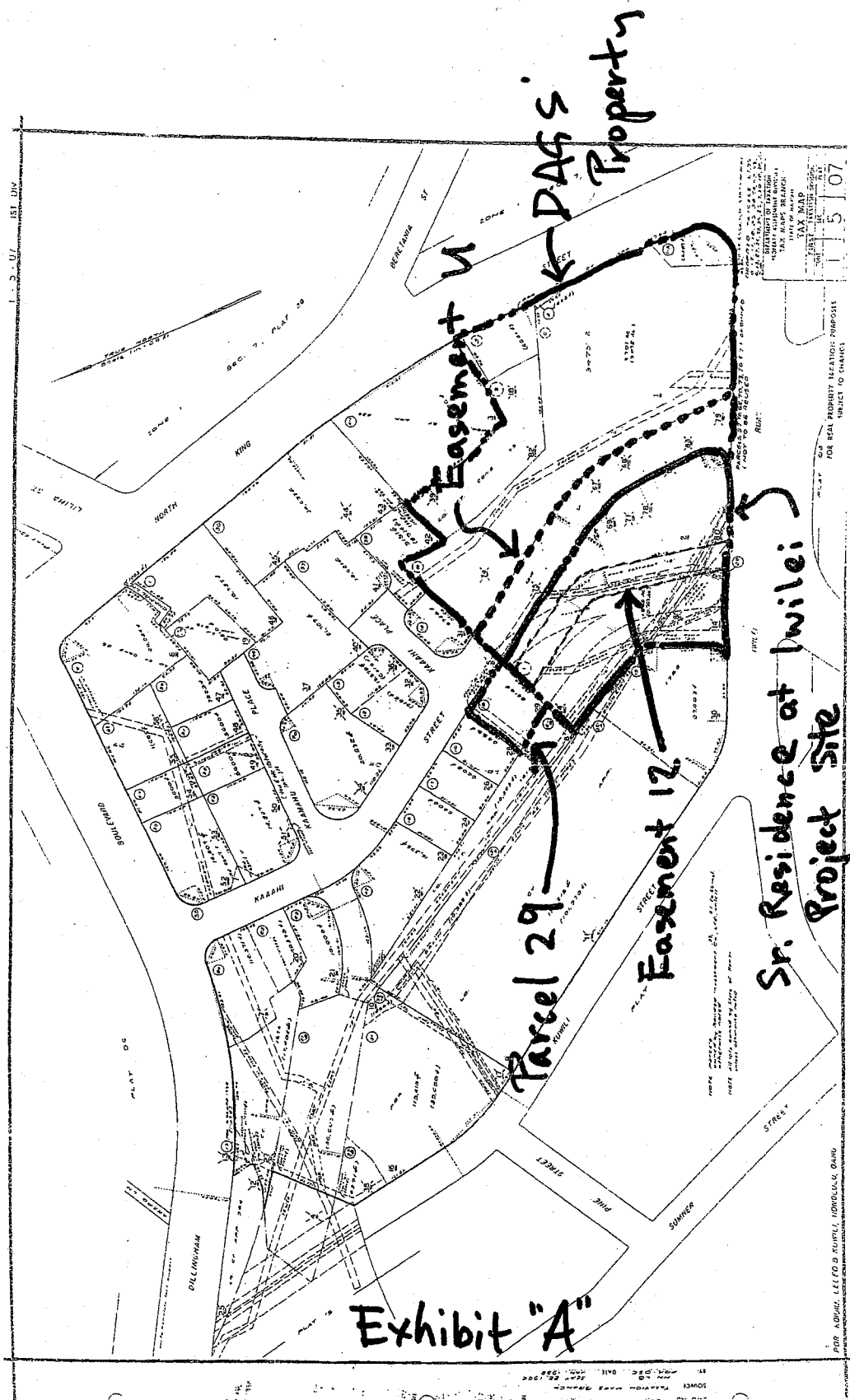
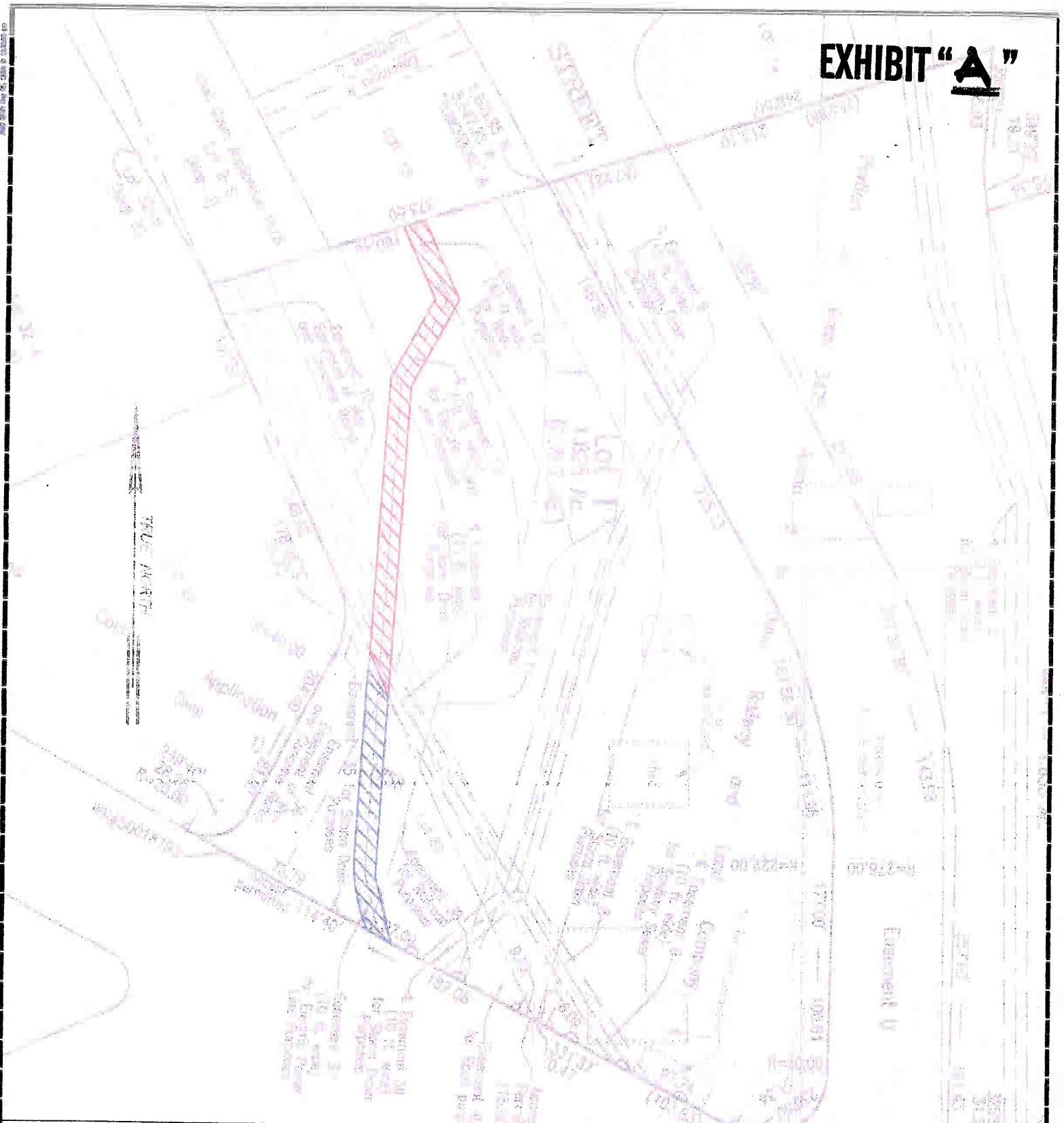


EXHIBIT "A"



M&E Pacific, Inc.

METCALF & EDDY

DAVIES PACIFIC CTR, STE 1900 • 641 BISHOP ST, HONOLULU, HAWAII 96813

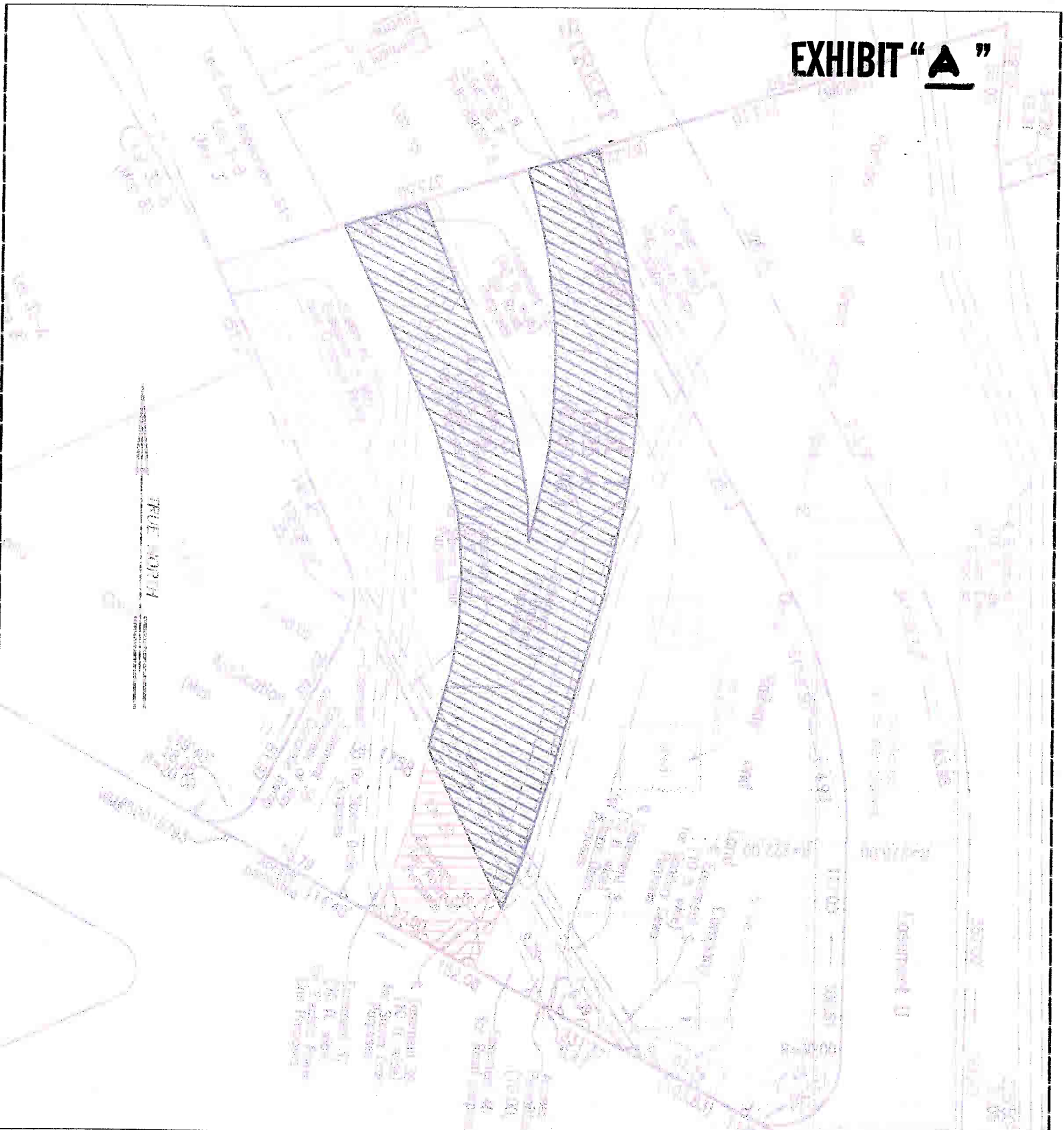
FIGURE 1
Electrical Easement to be Cancelled

SENIOR RESIDENCE AT IWILEI

Honolulu, Oahu, Hawaii

May 2006

EXHIBIT "A"



M&E Pacific, Inc.

METCALF & EDDY

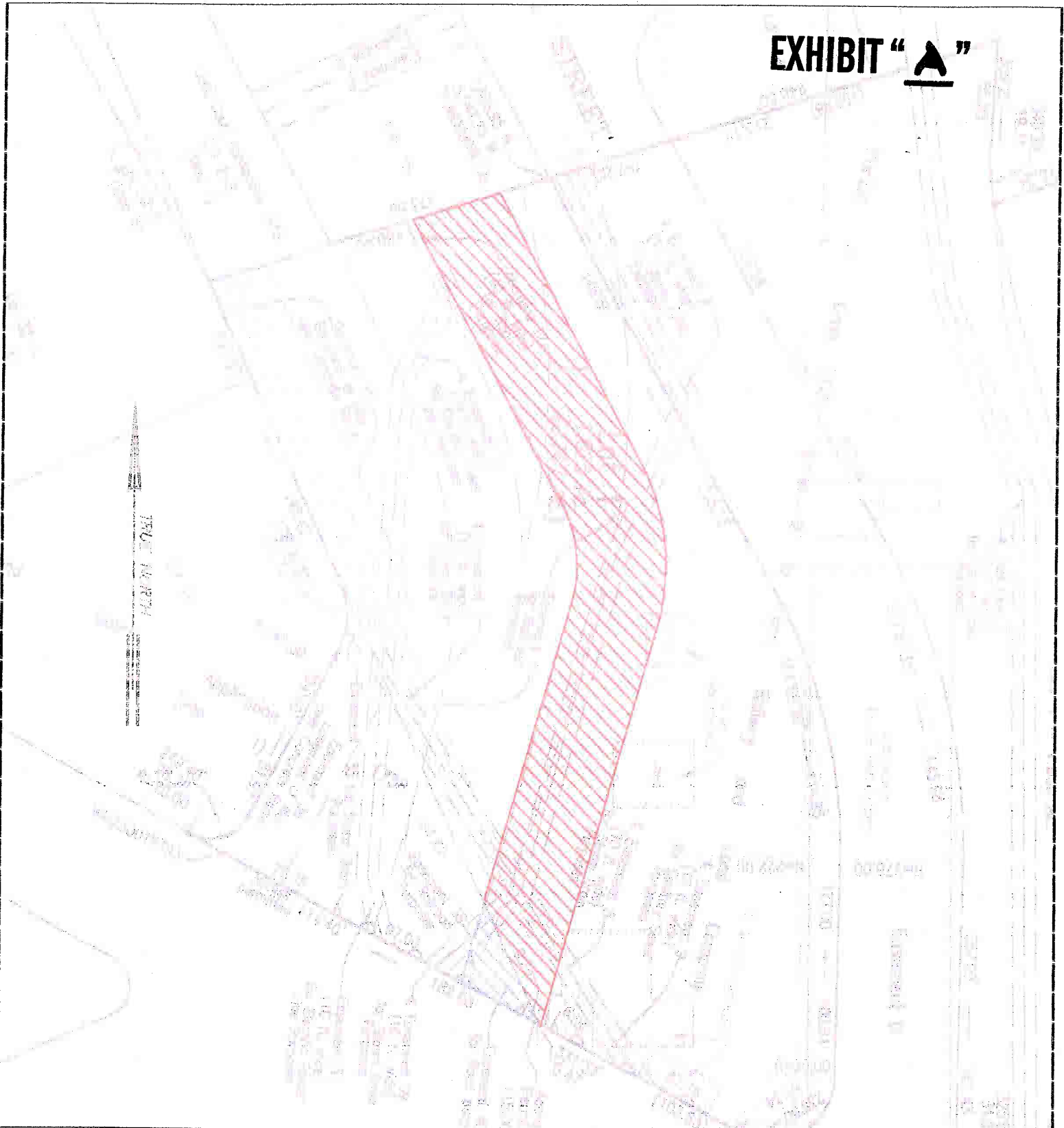
DAVIES PACIFIC CTR, STE 1800 - 641 BISHOP ST, HONOLULU, HAWAII 96813

FIGURE 2
Railroad Easement to be Cancelled

SENIOR RESIDENCE AT IWILEI

Honolulu, Oahu, Hawaii
44-00 0000

EXHIBIT "A"



M&E Pacific, Inc.

METCALF & EDDY

DAVIES PACIFIC CTR, STE 1905 • 641 BISHOP ST, HONOLULU, HAWAII 96811

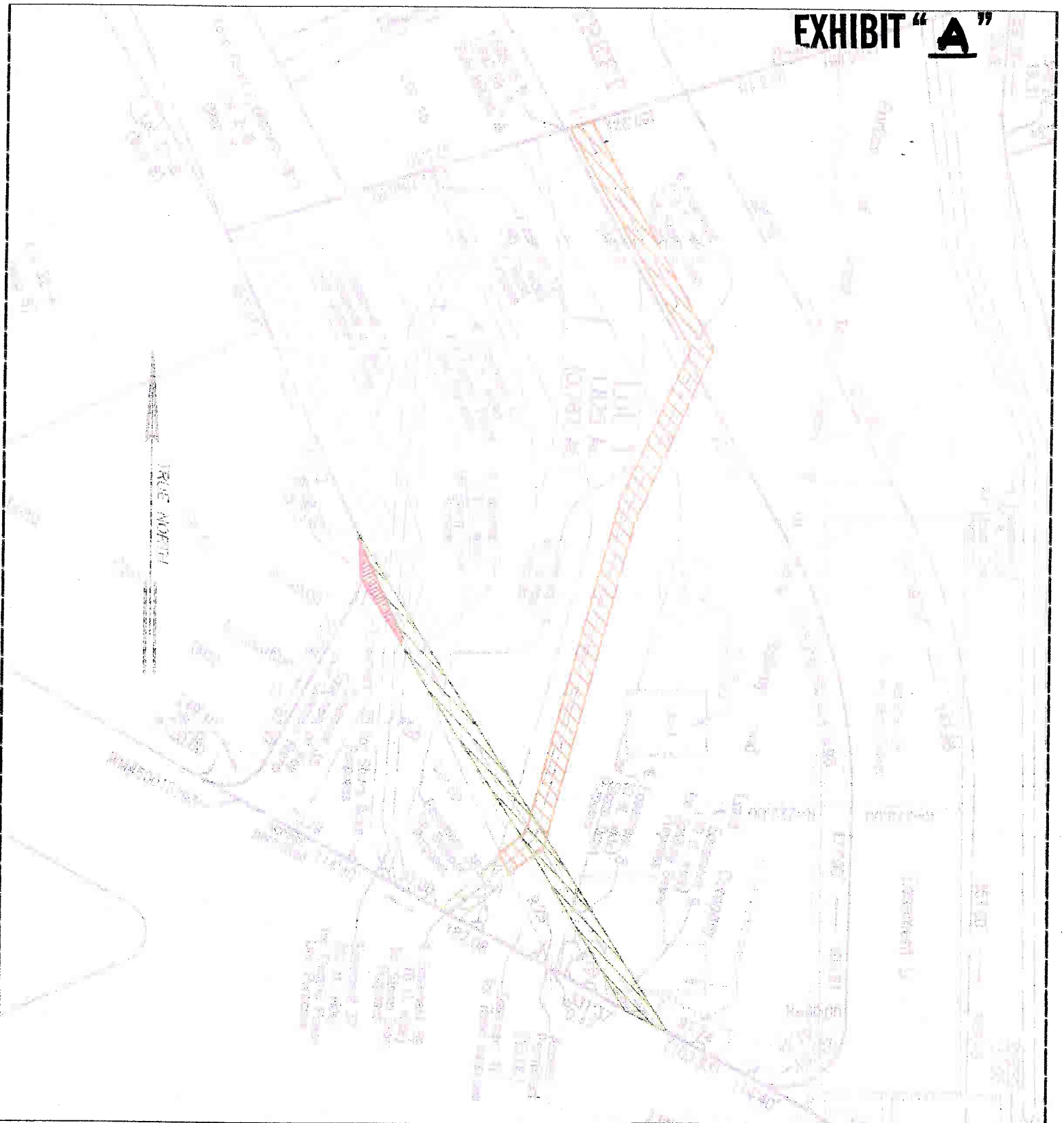
FIGURE 3
Roadway Easement to be Cancelled

SENIOR RESIDENCE AT IWILEI

Honolulu, Oahu, Hawaii

DATE: 10/1/12

EXHIBIT "A"



M&E Pacific, Inc.

METCALF & EDDY

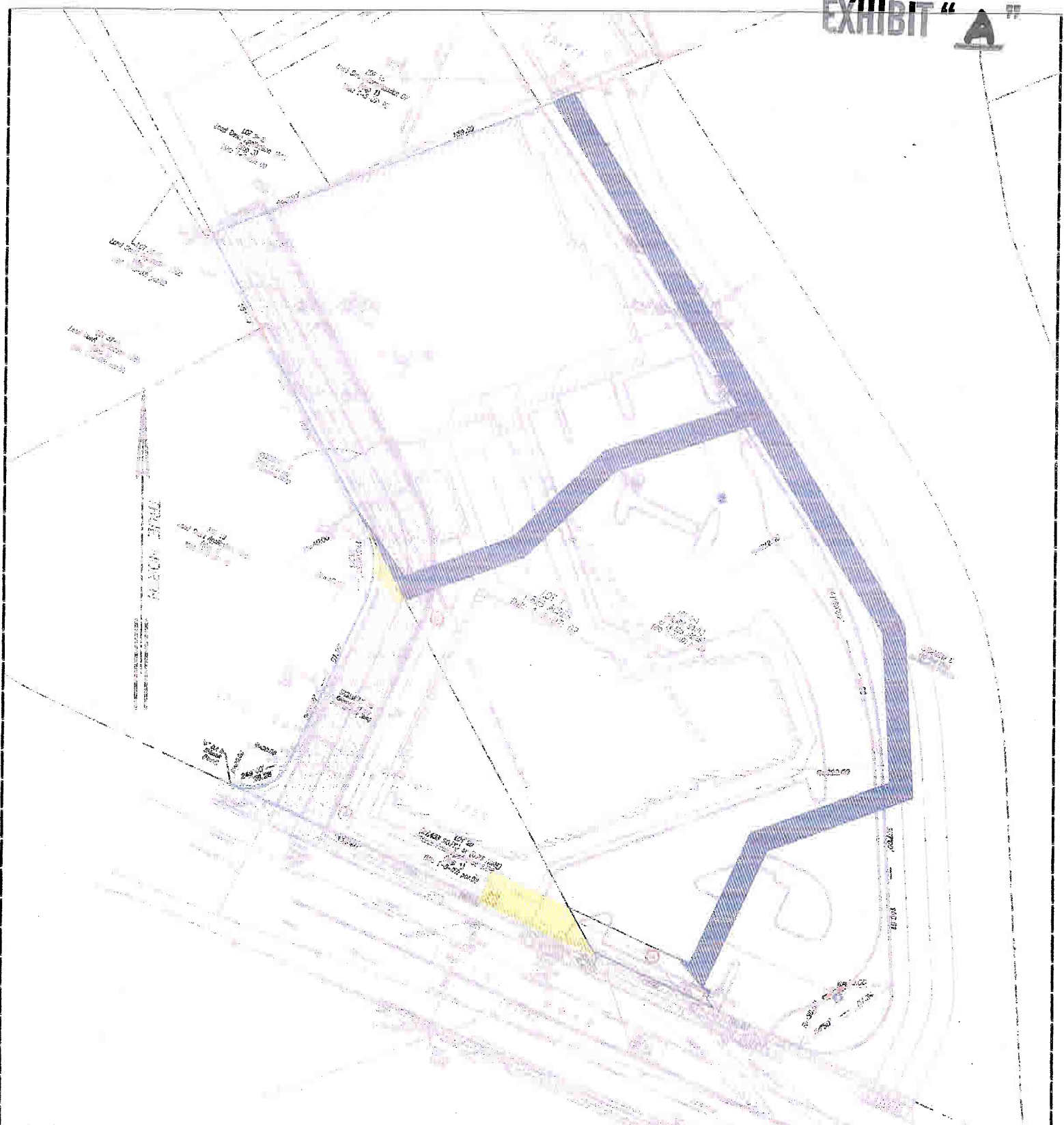
DAVIES PACIFIC CTR, STE 1000 • 541 BISHOP ST, HONOLULU, HAWAII 96813

FIGURE 4
Drainage Easement to be Cancelled

SENIOR RESIDENCE AT IWILEI

Honolulu, Oahu, Hawaii

DATE: 12/1/12



M&E Pacific, Inc.

METCALF & EDDY

DAVIES PACIFIC CTR, STE 1600 • 641 BISHOP ST, HONOLULU, HAWAII 96813

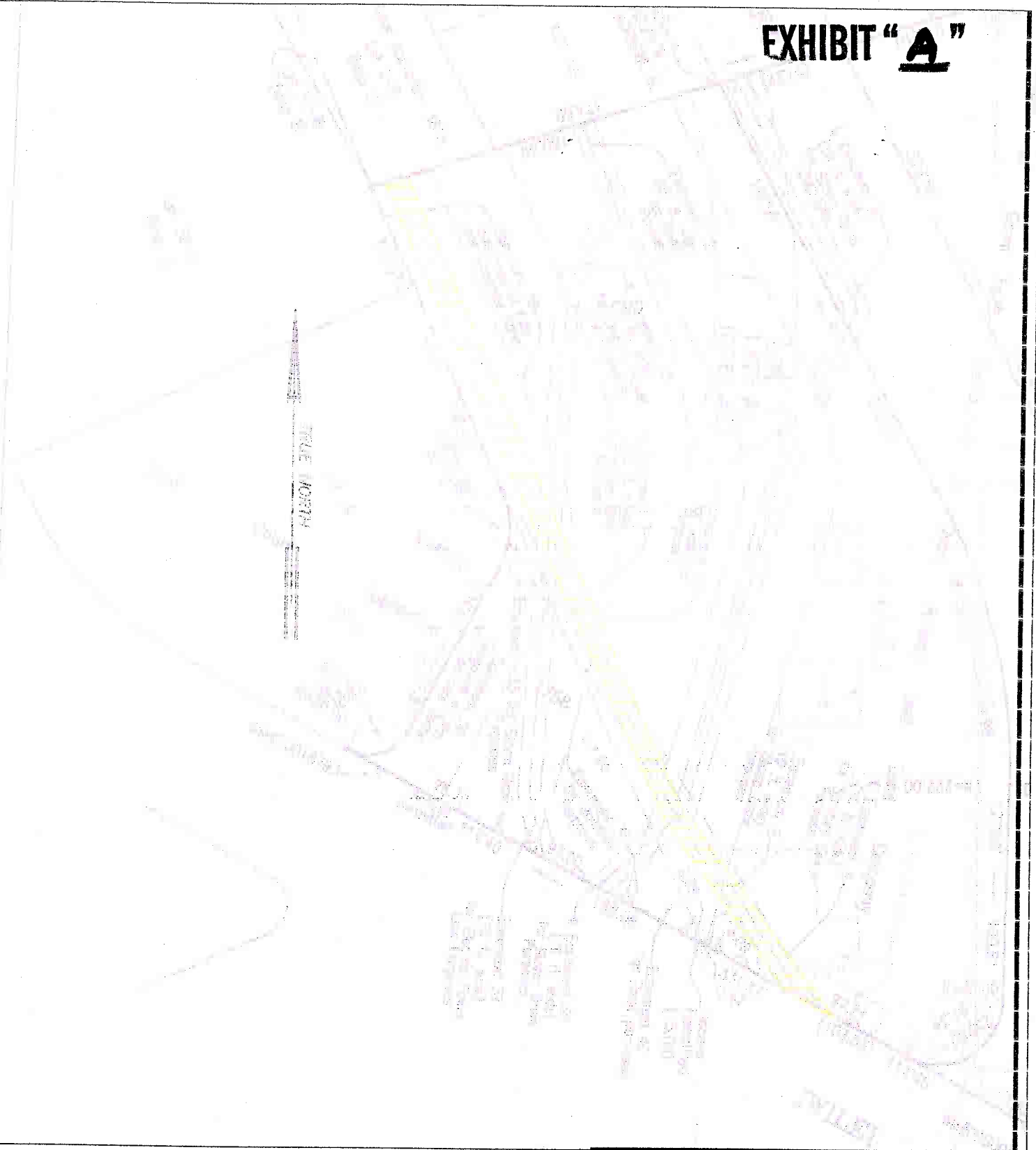
FIGURE 4a
Proposed Drainage Easement

SENIOR RESIDENCE AT IWILEI

Honolulu, Oahu, Hawaii

ASAP 04/10/12

EXHIBIT "A"



M&E Pacific, Inc.

METCALF & EDDY

DAVIES PACIFIC CTR, STE 1900 • 841 BISHOP ST, HONOLULU, HAWAII 96813

FIGURE 5
Sewer Easement to be Cancelled

SENIOR RESIDENCE AT IWILEI

Honolulu, Oahu, Hawaii
April 2002

EXHIBIT "A"



M&E Pacific, Inc.

METCALF & EDDY

DAVIES PACIFIC CTR, STE 1000 - 841 BISHOP ST, HONOLULU, HAWAII 96813

FIGURE 5a
Proposed Sewer Easement

SENIOR RESIDENCE AT IWILEI

Honolulu, Oahu, Hawaii

8/24/2008

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

010D-349
D-7
EXHIBIT "B"

October 12, 2001

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

OAHU

Amend Prior Board Action of January 24, 1992 (Agenda Item F-6), Set Aside to Housing and Community Development Corporation of Hawaii for Affordable Rental Housing Project, Issuance of a Management and Construction Right-of-Entry, Honolulu, Oahu, Tax Map Keys: (1) 1-5-7:1, 2, 14, 15, 18, 66, 67, 68, 69, 71, 74, 75, 78, 79, 80, 81, 82, 83, 84

APPLICANT:

Housing and Community Development Corporation of Hawaii, whose mailing address is 677 Queen Street Suite 300, Honolulu, Hawaii 96813

LEGAL REFERENCE:

Section 171-11, Hawaii Revised Statutes (HRS), as amended.

LOCATION:

Government lands of Leleo and Kuwili situated at Honolulu, Oahu, identified by Tax Map Key: (1) 1-5-7:1, 2, 14, 15, 18, 66, 67, 68, 69, 71, 74, 75, 78, 79, 80, 81, 82, 83, 84 as shown on the attached map labeled Exhibit A.

AREA:

1.635 acres, more or less.

ZONING:

State Land Use District: Urban
County of Honolulu CZO: BMX 3 & IMX 1

TRUST LAND STATUS:

Uncertain. Explanation provided under staffs analysis.

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: YES _____ NO _____x

As Amended
APPROVED BY THE BOARD OF
LAND AND NATURAL RESOURCES
AT ITS MEETING HELD ON

October 12, 2001. psv

ITEM D-7

BLNR - Deed to
HCDCH

Page 2

CURRENT USE STATUS:

Revocable Permit #S-5518	Kewalo Pickle Products, Inc.
Revocable Permit #S-5738	Aloha Fender, Inc.
Revocable Permit #S-6609	David Cheng dba Oahu Produce
Revocable Permit #S-6834	Institute for Human Services
Revocable Permit #S-6838	Gomes Bus Service, Ltd.
Revocable Permit #S-6904	Mid-Pacific of Hawaii, Inc.
Revocable Permit #S-6922	Aloha Upholstery
Revocable Permit #S-7009	House of Representatives
Revocable Permit #S-7010	Dept. of Accounting & General Services
Revocable Permit #S-7011	Richway Produce Co.
Revocable Permit #S-7143	George Asato dba G. Repair

The OR & L Building, annex building and 2 parking lots are managed by the Department of Accounting & General Services.

PURPOSE:

Affordable rental housing project.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

This action before the Board is merely a transfer of ownership to another government agency and does not constitute a use of State lands or funds, and therefore, this action is exempt from the provisions of Chapter 343, HRS, relating to environmental impact statements. Inasmuch as the Chapter 343 environmental requirements apply to Applicant's use of the lands, the Applicant shall be responsible for compliance with Chapter 343, HRS, as amended.

In 1992, DAGS prepared an EIS for the proposed Liliha Civic Center complex at Iwilei. The 1992 EIS (pages 2-3) states that "except for the OR & L Building, all other existing structures on the site will be demolished." By letter dated June 22, 2001, OEQC believes the proposed HCDCH demolition project satisfies HRS 343 requirements.

APPLICANT REQUIREMENTS:

Applicant shall be required to:

- 1) Process and obtain consolidation, subdivision, zoning change and exemptions at Applicant's own cost and
- 2) Provide survey maps and descriptions according to State DAGS standards and at Applicant's own cost.

BACKGROUND:

On March 1961 the State of Hawaii filed a complaint against Oahu Railway and Land Company [Civil No. 7387]. Briefly, on March 27, 1830 Royal Patent Grant 3475 was issued to defendant which conveyed free of charge, land in the city of Honolulu to be used solely and only for railroad purposes. The defendant constructed and operated a railway until December 31, 1947 when the defendant abandoned passenger service completely and abandoned freight services between Honolulu and Pearl River Lagoon. Furthermore, the defendant conducted a limited or token railroad operation within an industrial district of Honolulu in an attempt to avoid the forfeiture and reverter of the title as provided in the patent. Despite abandonment, non railroad use, breach of condition and reverter, defendant remained in possession of the premises and received and retained all of the rents, issues and profits from said land and continued to use said land for its own non railroad purposes.

On September 11, 1961 Oahu Railway and Land Company returned 107.986 acres, throughout Oahu to the State (LOD #S-18222). On September 22, 1961 Oahu Railway and Land Company returned 1.085 acres at Iwilei, Oahu to the State (LOD #S-18513).

The Land Board at its meeting of April 26, 1991, under agenda item F-5, approved staff's recommendation to recommend to the Governor the issuance of a set aside to the Department of Accounting and General Services (DAGS) for the Liliha Civic Center. Design funds were to be appropriated for the first increment of the Liliha Civic Center. The Liliha Civic Center was intended to house State agencies and non-profit organizations.

The Land Board at its meeting of April 10, 1992, under agenda item F-7, approved staff's recommendation to convey in fee simple approximately 1,194 square feet to the City and County of Honolulu for roadway purposes.

In 1992, DAGS actively started coordinating Phase 1 of the project which included notification of the various State tenants, demolition plans, clean-up, etc. Meetings were held with the various tenants, non-profit and community organizations.

By memorandum dated February 26, 1997, Mr. Roy Oshiro, Executive Director for Housing Finance and Development Corporation (HFDC) wrote to the Chairperson inquiring on the possibility of acquiring title to a portion of the State property for a rental housing project and who owns the State property. HFDC had been in discussions with DAGS regarding the feasibility of developing separate office and rental housing projects at the State property. Governor Cayetano's Blueprint for Affordable Housing encouraged the increase of rental housing for Hawaii's low income and special needs population. Available State lands for development in downtown Honolulu was very scarce. The State property was ideal. It was the last significant State property

available for rental housing development in urban Honolulu where demand was the greatest.

By letter dated April 29, 1997, the Oahu District issued a right-of-entry to HFDC to conduct site studies and construction engineering testing at the subject property. The conditions of the right-of-entry letter was accepted on May 8, 1997.

When the second city concept (Kapolei) was initiated, DAGS plans for the 400,000 square feet Liliha Civic Center was deferred.

By memorandum dated March 8, 2000, Ms. Sharyn Miyashiro, Executive Director for HCDCH wrote to the Chairperson requesting the Department's permission to undertake feasibility and due diligence studies for the State property. In 1997, HCDCH conducted studies to determine if the Iwilei site would be suitable for affordable residential development. In 1998, HCDCH completed a master plan after extensive community based planning. In 1999, a marketing study was completed that concluded that an affordable multi-family rental project, catering to the elderly, would be the best option of the Iwilei site. Community response to the proposed project has been favorable as there is a general consensus that the area is in need of revitalization and redevelopment. The 1999 Legislature appropriated \$180,000 in CIP planning funds for fiscal year 1999-2000 and \$300,000 in construction funds for fiscal year 2000-2001.

By letter dated April 11, 2000 to Comptroller Raymond Sato, the Chairperson inquired if DAGS was still interested in the set aside for the Liliha Civic Center and if not, can the Department move to rescind the Land Board's April 26, 1991, Item F-5 approval. Or if DAGS was still interested in the set aside for the Liliha Civic Center, did they have any objections to the Department consenting to HCDCH's request.

By memorandum dated May 5, 2000, Comptroller Sato indicated DAGS was still interested in the set aside, but had no objections to the Department consenting to HCDCH's request.

The Land Board at its meeting of June 9, 2000, under agenda item D-19, approved staffs recommendation for the issuance of a right-of-entry to the HCDCH to conduct feasibility and due diligence studies at the subject property.

The Land Board at its meeting of April 12, 2001, under agenda item D-20, rescinded its previous approval for the fee conveyance to the City and County of Honolulu for roadway purposes a portion of the subject property. The City and County of Honolulu would not accept the roadway unless the State completed the construction. This roadway was located on the corner of King Street and Iwilei Road.

By memorandum dated June 19, 2001, Ms. Sharyn Miyashiro, Executive Director for HCDCH is requesting a right-of-entry for the demolition and removal of existing warehouse storage structures, containers and

sheds including an underground fuel storage tank. In addition acquire in fee 1.600 acres for an affordable rental housing project. The Department shall provide thirty (30) days notification to the month-to-month tenants to vacate the property. HCDCH will lease the property for \$1.00 per year for fifty-five (55) years to a non-profit development entity that will design, finance, construct, operate and own the housing project. Funds are expected to come from a combination of Low Income Housing Tax Credits, Rental Housing Trust Funds, taxable Bonds, Grants and Rental Assistance. Groundbreaking is tentatively scheduled for June 2002.

The concept plan for the entire property calls for an affordable rental tower with parking structure, mixed-use tower(s) with parking structure(s), OR & L Building, three entry points that are tree lined driveways, and landscaping. HCDCH's project involves only the affordable rental tower with parking structure. The tower will be 20 floors with approximately 200 units, mixed with 1 and 2 bedrooms. The parking structure will be 5 floors with approximately 280 stalls. HCDCH envisions additional space (10,400 square feet) to be used as an assisted living support area or adult day care facility. The space could provide for a library, health clinic, physical therapy room, recreation area, beauty shop/barber shop, kitchen, pantry, conference room, offices, and staff lounge. (See Exhibit B)

The concept plan identifies DAGS as the agency to develop the mixed-use tower(s) with parking structure(s) for its own departmental offices. There are no definite plans.

On June 30, 2001, the Department terminated General Lease #S-5502 issued to the Kalihi-Palama Model City Association for the OR & L Building, adjacent annex building and 2 parking lots. The leased area consisted of approximately 1.452 acres. In June 2000, the President of Kalihi-Palama Model City Association, Mr. Ken Okamoto passed away. As a result the Kalihi-Palama Model City Association's property manager, Chaney, Brooks & Company worked with the Department to terminate all of the rental agreements and return the property to the State.

As of July 1, 2001 DAGS manages this area. Occupants of the OR & L Building will be the Department of Human Services staff. Occupants of the adjacent annex building are the Kamehameha Day Celebration staff. Presently, DAGS is undertaking a \$1,300,000 renovation project. The OR & L Building and adjacent annex building are on the Hawaii and National Register of Historic Places.

By memorandum dated July 20, 2001, Ms. Sharyn Miyashiro, Executive Director for HCDCH is requesting the cancellation of the existing easement: railroad (Easements 11 & 38), road (Easements 12 & 40), drainage (Easements 6 & 39), and electrical power line (Easements 13 & 37). The City and County of Honolulu, Department of Facility Maintenance and Hawaiian Electric Co. have no objections. The easements are no longer appropriate. If easements are required outside the 1.635 acre, requests will be made to the Land Board at a

later date. (See Exhibit C)

ANALYSIS:

HCDCH hired Kimura International to prepare the due diligence report, environmental assessment and supplementary environmental impact statement for the project. The due diligence report was completed on April 2001. Briefly, based on field observations and laboratory results, Kimura International is recommending: (1) the 2,000 gallon steel UST and its associated pipings should be removed from the ground, (2) approximate 75 cubic yards of petroleum contaminated soil should be properly disposed of and (3) a copy of this report should be provided to the Department of Health, Hazard Evaluation and Emergency Response office. (See Exhibit D)

Based on this information HCDCH would like to commence the affordable housing project. The tentative time line is:

- 2001 commence the selection of a developer to build the residential tower for senior citizens.
- September 2001 apply with the City and County of Honolulu, Department of Planning and Permitting for a change in zoning, exemptions, consolidation and subdivision of the subject property. This process should be completed by April 2002. In this process HCDCH will create 2 lots - one lot consisting of approximately 1.635 acre for the affordable rental housing project and the second lot consisting of 4.085 acre for DAGS. [When this task is completed, staff can commence with the preparation of the set aside document to DAGS.]
- December 2001 commence bid for the selection of a contractor for the demolition.
- January 2002 demolition work starts. The tasks include demolishing the existing warehouse storage structures, containers and sheds, and excavating an underground storage tank.
- February 2002 complete the supplemental environmental impact statement.
- June 2002 groundbreaking.

Presently, the property is underutilized with deteriorating and abandoned structures that present an image of neglect and blight. Both HCDCH and DAGS have initiated over the years, a substantial amount of planning effort to increase the productivity and value of this property for the benefit of Hawaii residents. Goals: provide affordable residential rental housing, maximize open space and landscaping, revitalize the Liliha neighborhood and the restoration of the OR& L Building.

Could the Department have obtained a higher use for the property?

Probably. Staff would have public auction a long-term lease for industrial/commercial use. It is highly unlikely the new tenant would design a plan of the same degree as HCDCH and DAGS.

HCDCH staff has presented their plans to City and County of Honolulu, Department of Transportation Services, DAGS, and DLNR staff. DAGS concern is the City and County of Honolulu's Bus Rapid Transit (BRT) preliminary plan extends Kaaahi Street through the property and connect onto Iwilei Road, build a parking structure and 2 platforms. [This section of the property is to be set aside to DAGS.] The BRT plan is to alleviate traffic on Dillingham Boulevard and North King Street. The alignment selected by the City staff was because it is State lands so there was no need to consider other options. The City has not submitted a formal request.

In order to proceed with the present schedule, HCDCH is requesting the month-to-month revocable permits be terminated. Their contractor will be demolishing all of the improvements located at the property excluding those improvements located within the area (1.452 acres) presently managed by DAGS. Furthermore, additional testing and more remediation may be required by HCDCH.

Staff has had informal discussions with the various tenants over the past months concerning HCDCH requests to enter the property and proposed plans. Exact dates were never mentioned. Staff along with a representative from HCDCH went to the site and talked to the various tenants on September 6, 2001. Tenants requested to be notified when this request goes before the Land Board. The tenants are:

Revocable Permit #S-5518 Rent: \$456/mo
Kewalo Pickle Products, Inc.
For: storage & pre-processing (washing & salting) of turnips (daikon)

Revocable Permit #S-5738 Rent: \$1,107/mo
Aloha Fender, Inc.
For: storage yard

Revocable Permit #S-6609 Rent: \$282/mo
David Cheng dba Oahu Produce
For: produce storage & assemblage for distribution purpose

Revocable Permit #S-6834 Rent: \$123/mo
Institute for Human Services
For: automobile parking

Revocable Permit #S-6838 Rent: \$1,705/mo
Gomes Bus Service, Ltd.
For: parking of buses

Revocable Permit #S-6904 Rent: \$516/mo
Mid-Pacific of Hawaii, Inc.
For: storage & maintenance of buses

BLNR - Deed to
HCDCH

Page 8

Revocable Permit #S-6922 Rent: \$619/mo
Aloha Upholstery
For: automobile upholstery repair business

Revocable Permit #S-7009 Rent: \$0/mo
House of Representatives
For: storage space for modular furniture parts

Revocable Permit #S-7010 Rent: \$0/mo
Department of Accounting & General Services
For: storage of equipment, hardware & modular furniture parts

Revocable Permit #S-7011 Rent: \$135/mo
Richway Produce Co.
For: produce storage & assemblage for distribution

Revocable Permit #S-7143 Rent: \$495/mo
George Asato dba G. Repair
For: storage & repair of refrigeration equipment & parts

Are there other vacant State properties in the downtown area to relocate the tenants to? No. The Department's industrial lands are limited to Hoonee and Alahao Place (off of Sand Island Access Road) and Sand Island (SIBA and lands near the Marine Propulsion facility).

The land area to be covered under the management and construction right-of-entry will include everything outside of the 1.452 acre presently managed by DAGS (estimate it to be 4.268 acres). Once HCDCH has completed their project, the remainder land area should be cleaned and if perimeter fencing does not already exist along Kaaahi Street or Iwilei Road side, perimeter fencing will be installed by HCDCH and the area shall be returned to DLNR to be set aside to DAGS.

HCDCH was requesting a deed instead of a set aside document because HCDCH will be leasing the parcel to a non-profit entity for \$1.00 a year for at least 55 years. The leasehold interest in the parcel must be encumbered in order for the non-profit entity to secure private mortgage financing for this project. HCDCH is saying lenders will not provide financing if the subject property is turned over to them by a set aside document.

Staff cites Section 171-11, Hawaii Revised Statutes, which states:

"Such department, agency of the State, the city and county, county, or other political subdivisions of the State in managing such lands shall be authorized to exercise all of the powers vested in the board in regard to the issuances of leases, easements, licenses, revocable permits, concessions, or rights of entry covering such lands for such use as may be consistent with the purposes for which the lands were set aside on the same terms, conditions, and restrictions applicable to the disposition of public lands, as provided by this chapter all such dispositions being subject to the prior approval of the board; provided that any nonrenewable dispositions granting rights

for a period not in excess of 14 days shall not require (1) the approval of the board or (2) public auction or public advertisement for sealed tenders; and provided further that disposition of lands set aside for use as agricultural parks pursuant to chapter 166 shall not be subject to the prior approval of the board. If at the time of the disposition of any such leases the board shall have approved the same, any other withdrawing or setting aside any or all of such lands for any other public purpose shall be made subject to such leases."

In addition, staff contacted the Department of Transportation (DOT) property managers. DOT, Airport and Harbor Division lands are encumbered by a set aside document. Do they process consent to mortgages for their tenants? Yes. Have there been instances whereby a tenants' lender did not want to provide financing due to the set aside document? No.

A copy of a set aside document was sent to HCDCH to have the prospective lender review. Staff believes if additional wording is needed in this document, such changes could be accommodated. To date no response has been received. In conclusion, staff is recommending a set aside document instead of the fee conveyance of the State property.

In the matter concerning land status, the State went to court to have the subject lands returned due to the reverter provision in the royal patent grant. The courts adjudicated the State was to receive from Oahu Railway and Land Company this property and \$50,000. Does the ceded land status continue? We are uncertain and our Abstractors are reviewing all of the pertinent documents.

There are no other pertinent issues or concerns.

RECOMMENDATION: That the Board

1. Amend its approval of January 24, 1992, under agenda item F-6, acreage to be set aside to the Department of Accounting and General Services should be 4.085 acres, more or less.
2. Authorize the Housing and Community Development Corporation of Hawaii to act as agent of the landowner, State of Hawaii to process the zoning change, exemptions, consolidation and subdivision of the subject lands.
3. Authorize the cancellation of the railroad, road, drainage and electrical easements located on the subject lands.
 - A. The standard terms and conditions of the most current cancellation easement document form, as may be amended from time to time;
 - B. Review and approval by the Department of the Attorney General; and

C. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

4. Authorize cancellation of:

Revocable Permit #S-5518	Kewalo Pickle Products, Inc.
Revocable Permit #S-5738	Aloha Fender, Inc.
Revocable Permit #S-6609	David Cheng dba Oahu Produce
Revocable Permit #S-6834	Institute for Human Services
Revocable Permit #S-6838	Gomes Bus Service, Ltd.
Revocable Permit #S-6904	Mid-Pacific of Hawaii, Inc.
Revocable Permit #S-6922	Aloha Upholstery
Revocable Permit #S-7009	House of Representatives
Revocable Permit #S-7010	Dept. of Accounting & General Services
Revocable Permit #S-7011	Richway Produce Co.
Revocable Permit #S-7143	George Asato dba G. Repair

Tenants must vacate the subject lands by January 31, 2002.

5. Authorize the issuance of a management and construction right-of-entry to the Housing and Community Development Corporation of Hawaii after the Department of Land and Natural Resources, Land Division have terminated the eleven (11) month-to-month revocable permits from the subject lands (approximately 4.268 acres), subject to the following:

- A. The standard terms and conditions of the most current right-of-entry form, as may be amended from time to time;
- B. The right-of-entry shall commence on the date of the Land Board approval and expire on the issuance date of the subject deed; and
- C. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interest of the State.

6. Approve of and recommend to the Governor the issuance of an executive order setting aside the subject lands to Applicant under the terms and conditions cited above, which are by this reference incorporated herein and subject further to the following:

- A. The standard terms and conditions of the most current executive order form, as may be amended from time to time;
- B. Disapproval by the Legislature by two-thirds vote of either the House of Representatives or the Senate or by a majority vote by both in any regular or special session next following the date of the setting aside;
- C. Review and approval by the Department of the Attorney General; and

BLNR - Deed to
HCDCH

Page 11

- D. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

Charlene E. Unoki

mm Charlene E. Unoki
Supervising land agent

APPROVED FOR SUBMITTAL:

Gilbert S. Coloma-Agaran

GILBERT S. COLOMA-AGARAN, Chairperson

APPROVED AS AMENDED. The Board amended the submittal as follows:

- ° The title of the submittal was corrected by replacing "JANUARY 24, 1992 (AGENDA ITEM F-6)" with "APRIL 26, 1991, (AGENDA ITEM F-6)".
- ° Recommendation No. 1 is corrected by replacing "JANUARY 24, 1992 (AGENDA ITEM F-6)" with "APRIL 26, 1991, (AGENDA ITEM F-6)".
- ° The Board asked that DAGS, HCDCH and DLNR work with Aloha Fender on the possibility of an easement for ciruclation purposes in the immediate rear of their property.

EXHIBIT B

Chapter 2: Project Location & Description

Iwilei Project Site Due Diligence

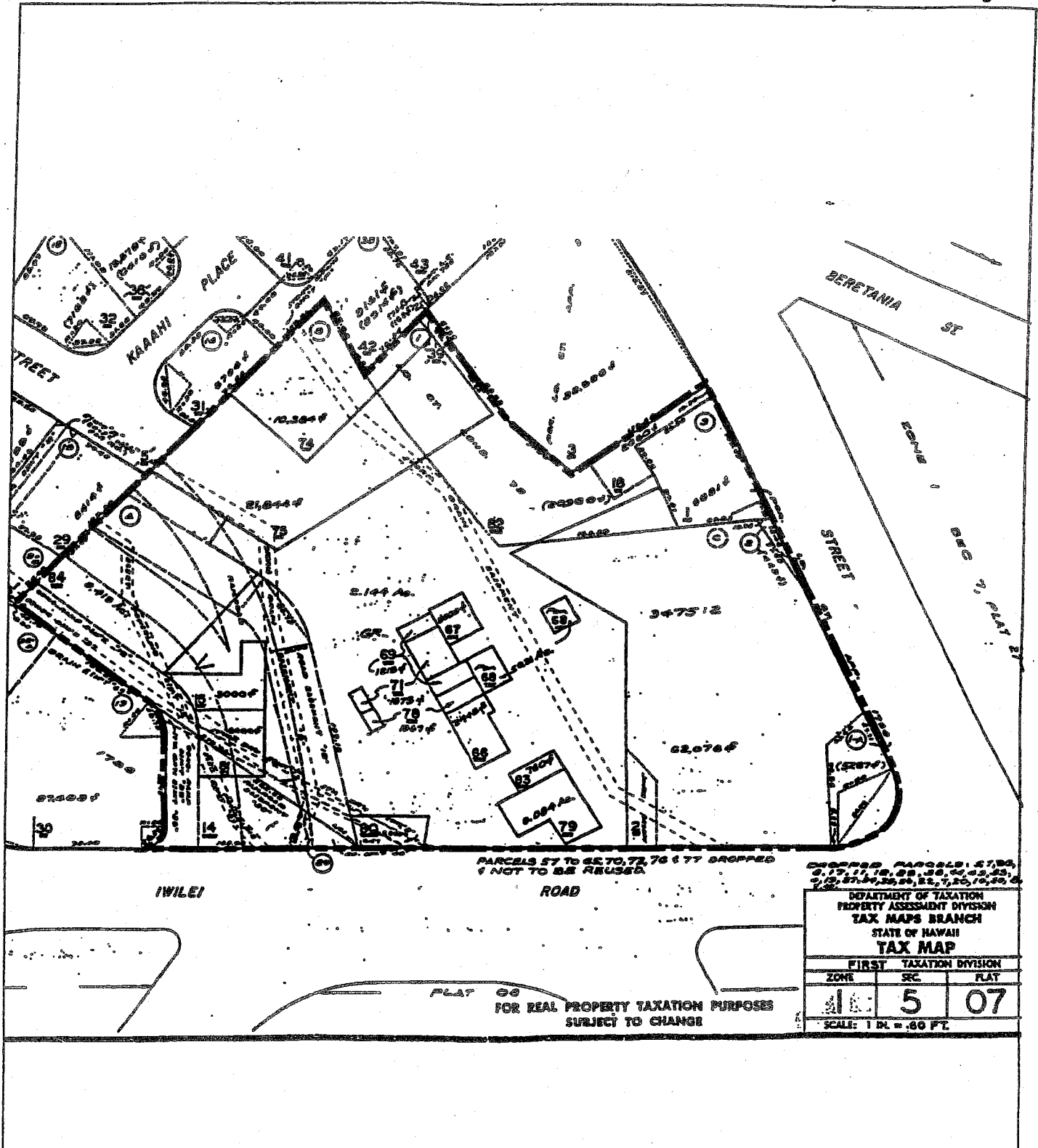


FIGURE 2

TAX MAP(1-5-07)

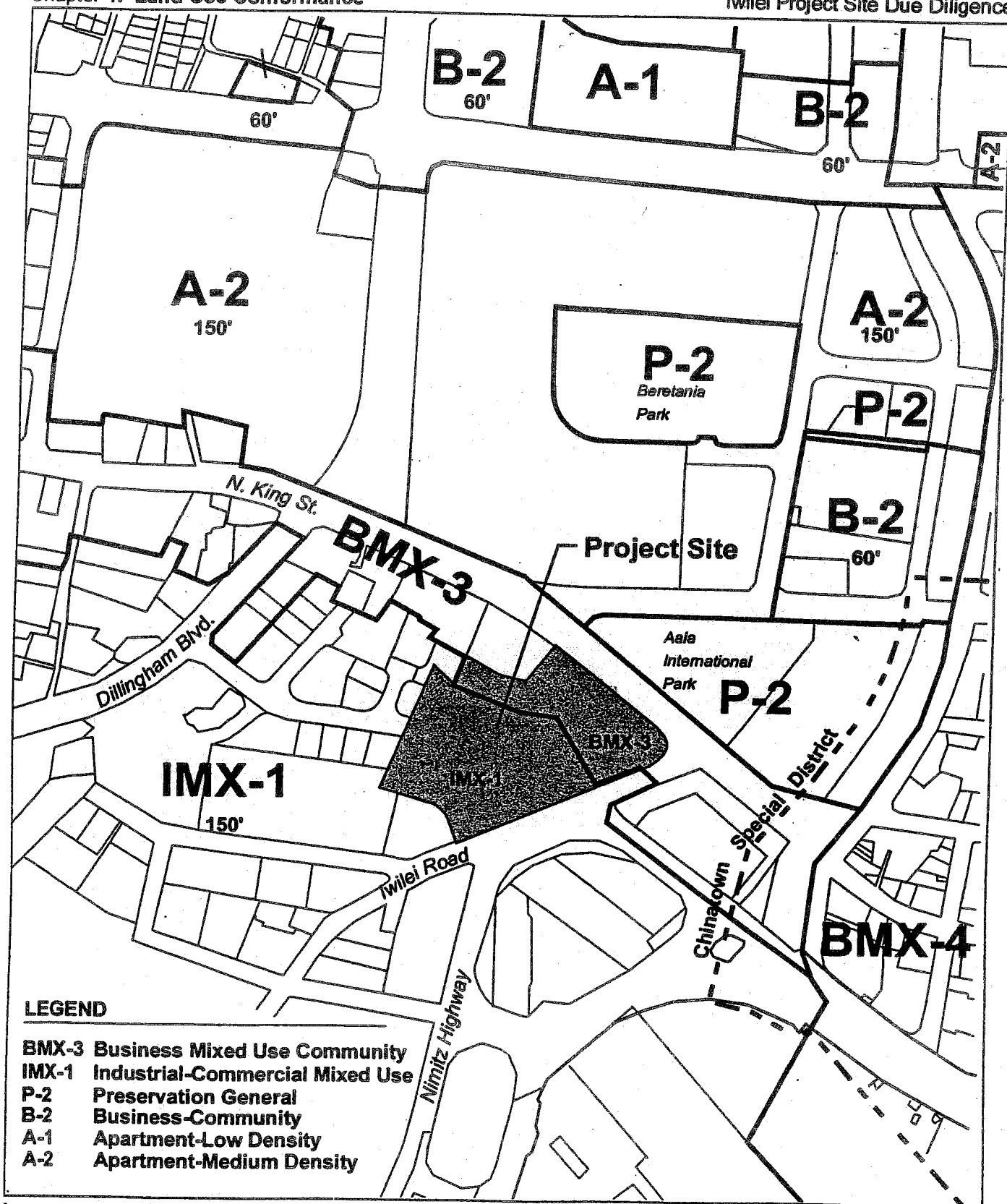


FIGURE 23

ZONING MAP

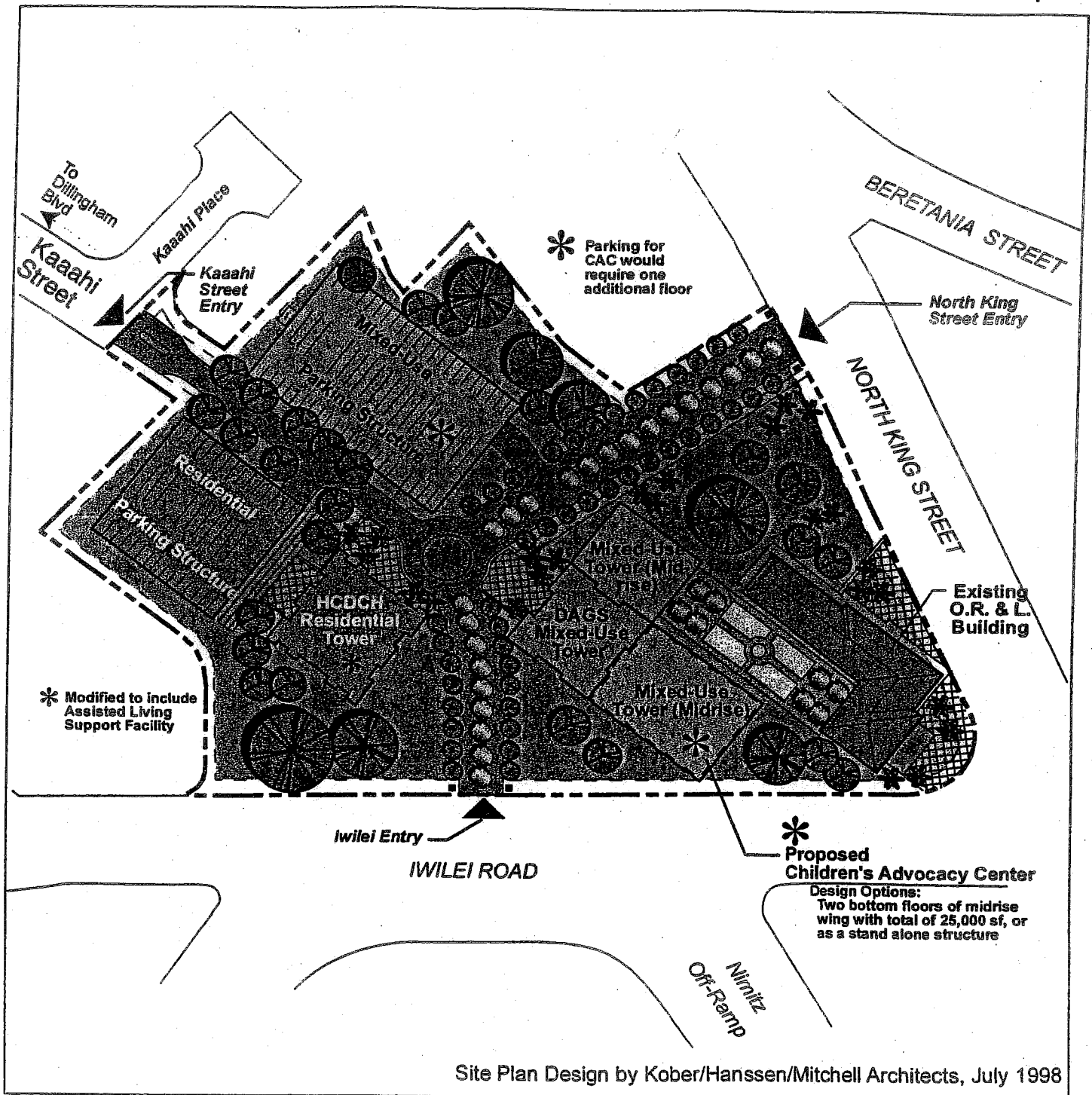


FIGURE 5

CONCEPTUAL SITE PLAN

GENERAL INFORMATION:

TAX MAP KEY NO.:

ZONING:

LOT AREA:

LOT COVERAGE:

MAXIMUM FOOTPRINT:

MAXIMUM BUILDING HEIGHT:

FLOOR AREA RATIO:

LOT AREA:

MAXIMUM FLOOR AREA:

DEVELOPMENT:

1-5-7: 01, 14, 15, 18, 57, 58, 60-78

BMX-3 & IMX-1

TO BE REZONED TO BMX-3

5.74 ACRES

NOT REGULATED

NOT REGULATED

200'

3.5

2.5 WITH ADDITIONAL BONUS AREA

5.74 ACRES

875,120 S.F.

1 - AFFORDABLE RENTAL TOWER

1 - RESIDENTIAL PARKING STRUCTURE

1 - MIXED USE TOWER

1 - MIXED USE PARKING STRUCTURE

PROJECT INFORMATION:

RESIDENTIAL PHASE:

NO. OF UNITS:

NO. OF RESIDENTIAL FLOORS:

NO. OF UNITS PER FLOOR:

FLOOR TO FLOOR HEIGHT:

UNIT MIX:

ONE BEDROOM (@ 600 S.F.):

TWO BEDROOM (@ 799 S.F.)

RESIDENTIAL TOWER FLOOR AREA:

RESIDENTIAL PARKING:

NO. OF STALLS:

NO. OF FLOORS:

PARKING STRUCTURE FLOOR AREA:

MIXED-USE PHASE:

NO. OF MIXED-USE FLOORS:

FLOOR TO FLOOR HEIGHT:

MIXED-USE FLOOR AREA:

MIXED-USE PARKING:

NO. OF STALLS:

NO. OF FLOORS:

PARKING STRUCTURE FLOOR AREA:

TOTAL PROJECT FLOOR AREA:

200

20

10

9'

80 UNITS

120 UNITS

165,500 S.F.

280 STALLS

5

100,000 S.F.

16

12'

281,500 S.F.

704 STALLS

9

235,000 S.F.

782,000 S.F.

EXHIBIT B

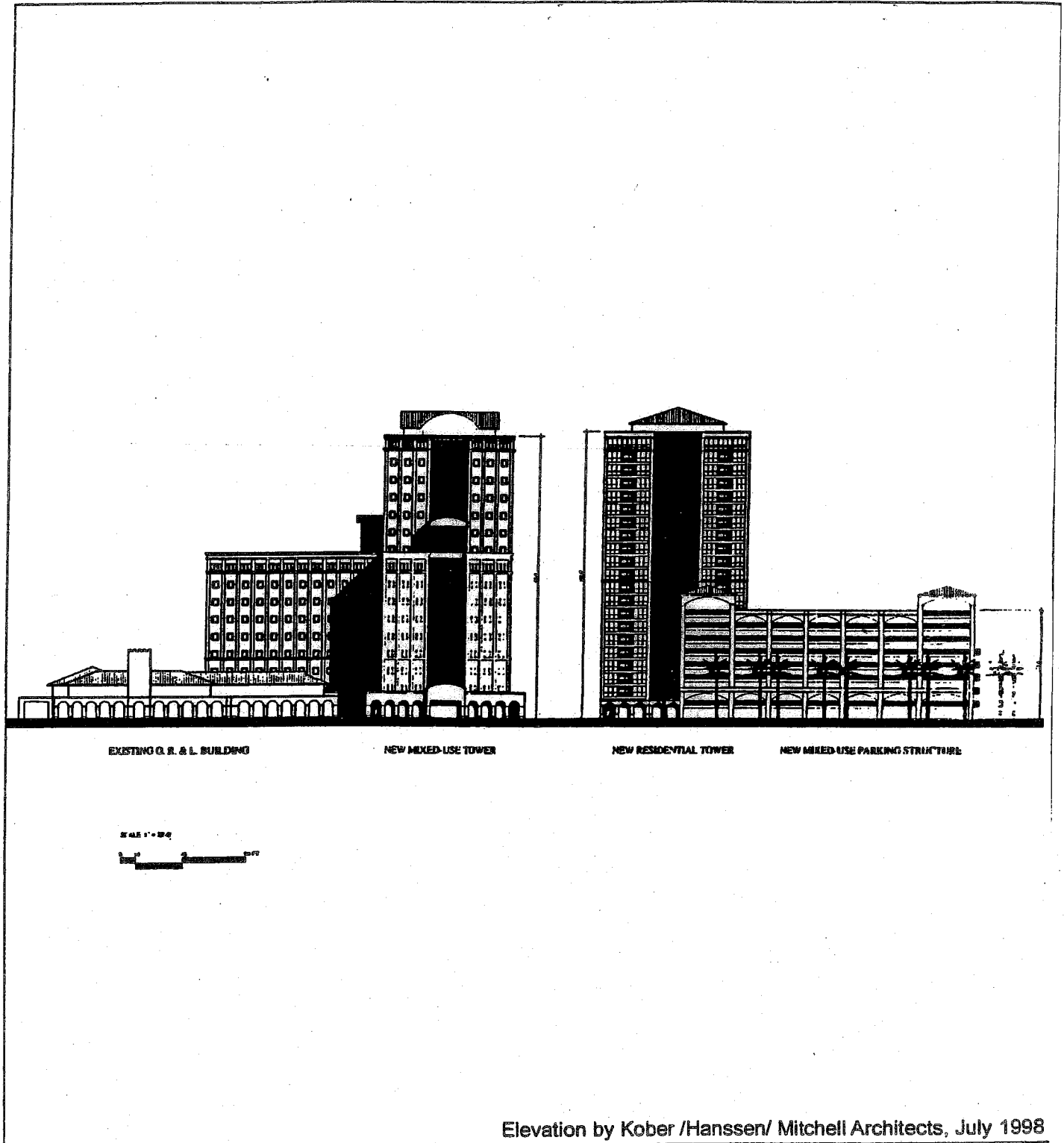
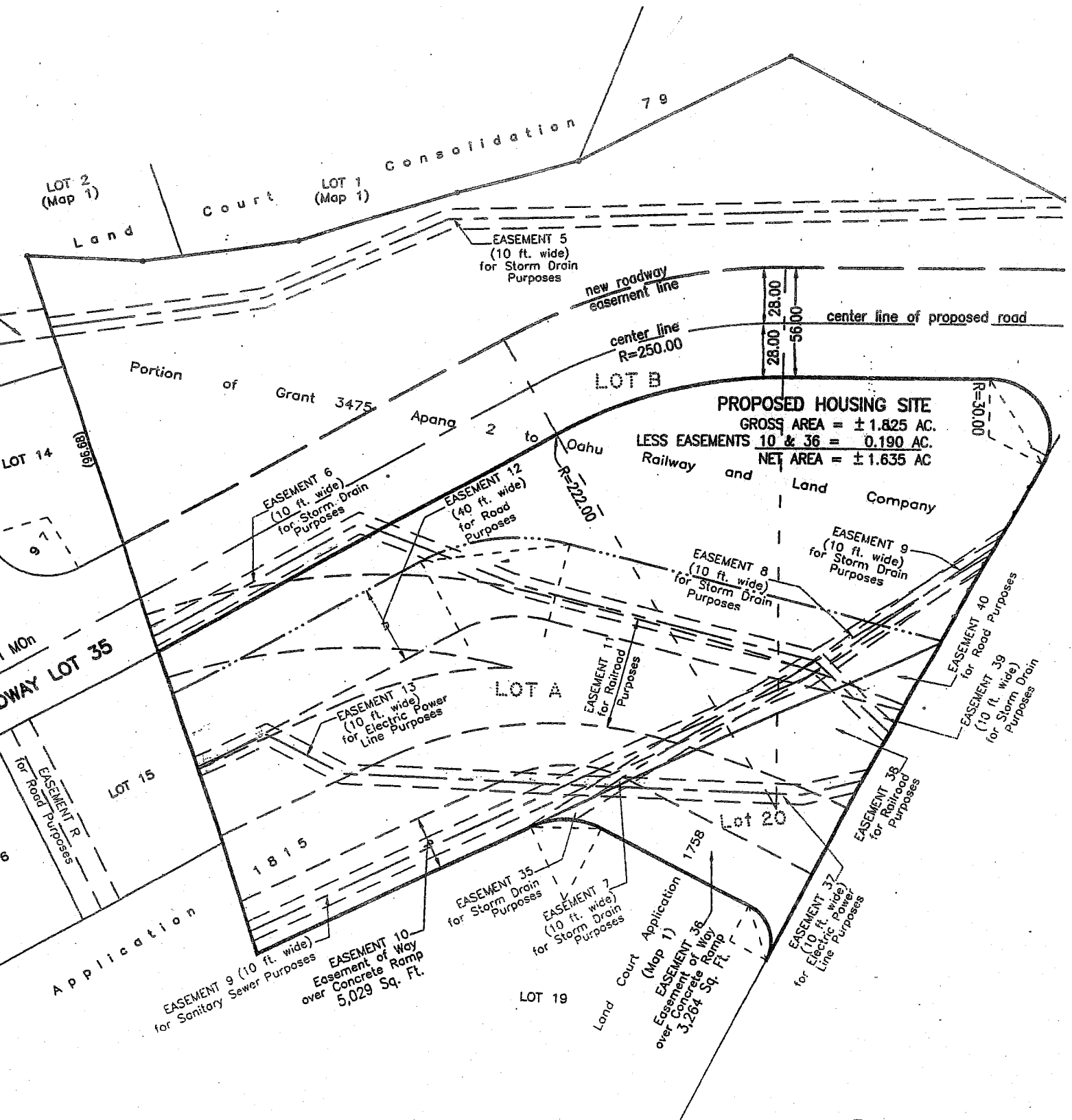
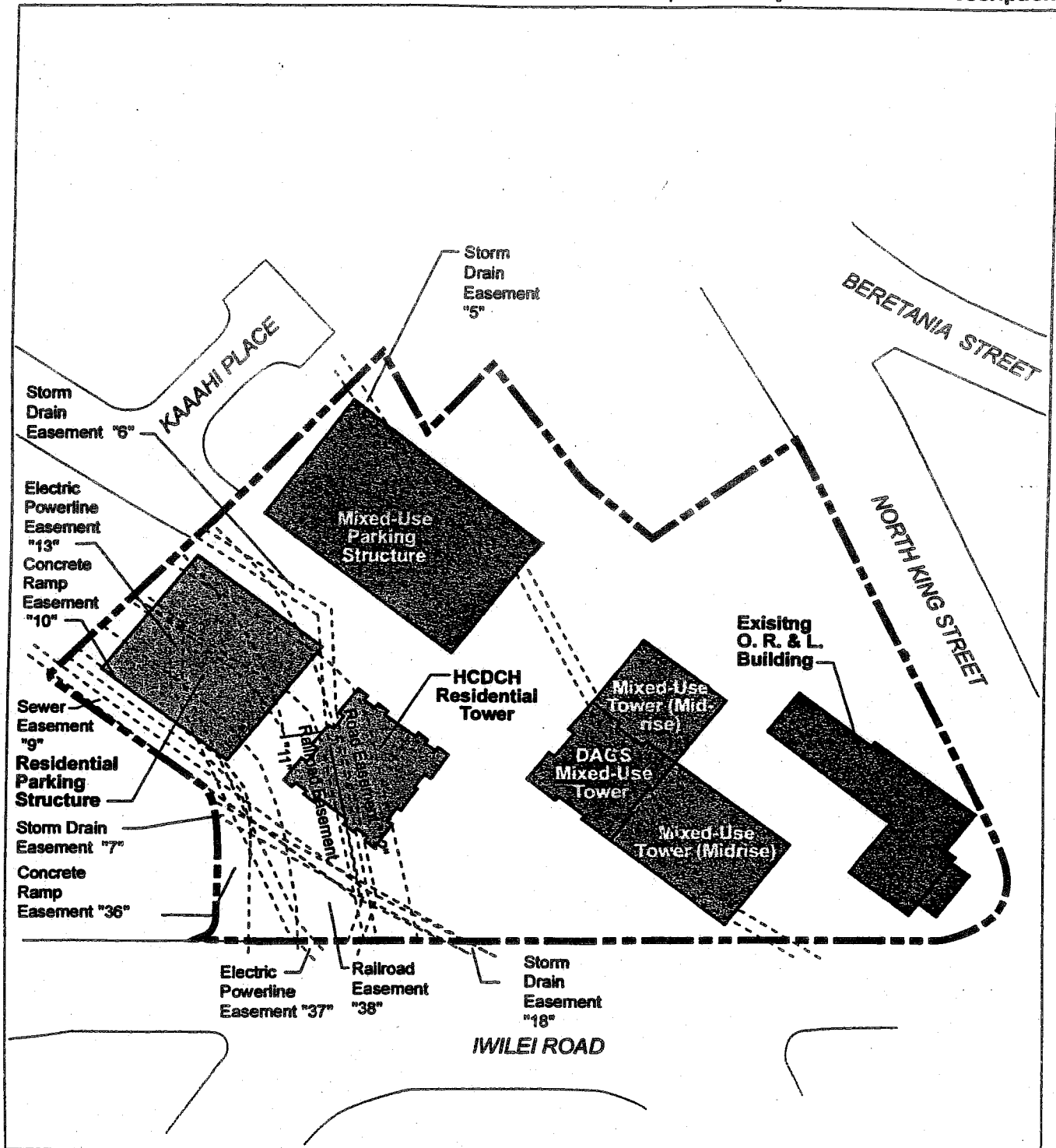


FIGURE 6

ELEVATION FROM NORTH KING STREET

EXHIBIT B





0 SCALE IN FEET 120



FIGURE 9

EASEMENTS + PROPOSED FACILITIES

2.0 EXECUTIVE SUMMARY

BACKGROUND

In March 2001, Kimura International was contracted by the Housing and Community Development Corporation of Hawaii (HCDCH) to perform a Phase I Environmental Site Assessment (Phase I) for the subject site. The subject site for the Phase I study was defined as Tax Map Key identification numbers (1) 1-5-7: Parcels 1, 2, (portion), 14, 15, 18, 66-69, 71, 72, 74, 75, 78-84 (Figure 1). Kimura International's findings and recommendations were presented in a report entitled, "Phase I Environmental Site Assessment," dated March 30, 2001. The findings of the March 30th Phase I report indicated the potential for subsurface petroleum contamination at the subject site.

During an April 11, 2001 meeting amongst the HCDCH Board of Directors, Kimura International was tasked with performing additional investigation at a portion of the site to evaluate the subsurface conditions with respect to petroleum contamination. The portion of the site to be investigated was defined as the HCDCH component of the proposed Iwilei project site. The HCDCH component included TMK numbers (1) 1-5-7: Parcels 15 and portions of 14, 57, 58, 60, 61, 62, 63, 65-78. The investigation identified two areas of petroleum contamination.

Area #1:

Petroleum contamination encountered during the drilling activities supported Kimura International's previous recommendation to investigate this area. Specifically, Kimura International's recommendation included identifying whether a UST(s) is present in the area. Kimura International also recommended that the contaminated soil be excavated and removed from the site for proper disposal, and confirmation sampling be performed.

Area #2:

Based on field screening activities and laboratory data Kimura International recommended that no further action be required at this time, with respect to the area of the Gomes Bus Yard, since petroleum-affected soil and groundwater do not pose a significant risk to human health or environmental receptors at the detected concentrations. However, Kimura International recommended that additional subsurface investigation/management activities be conducted to determine the source of the petroleum release(s) and to delineate the extent of the release(s), if any future development of the site requires excavation to be performed and contamination is encountered.

On May 15, 2001, Kimura International met with HCDCH representatives to discuss the findings of the subsurface investigation. HCDCH representatives tasked Kimura International with performing remedial action activities in the northwest portion of the subject property (Area #1). Specifically, Kimura International's was to remove the petroleum contamination from the ground in Area #1, perform confirmation soil and groundwater sampling, and excavate exploratory trenches to locate any USTs associated with the dispenser islands in the area.

REMEDIAL ACTION ACTIVITIES

On May 21, 2001, Kimura International and M. Nakai Repair Services, Ltd. mobilized to the project site. During the remedial action activities, a backhoe was used to excavate approximately 75 cubic yards of petroleum impacted soil from the ground. The final limits of the excavation pit measured approximately 25 feet long by 15 feet wide and 7 feet deep. Groundwater seeped slowly into the excavation and filled it to a level of 6 feet bgs.

During the excavation, all petroleum impacted soil removed from the ground was stockpiled on-site, and placed on and covered with plastic sheeting. A groundwater monitoring well was installed into the excavation, and the pit was backfilled with imported base course material and compacted.

FINDINGS

Visual observations, olfactory observations, and a Thermo Environmental Instruments Model 580B photoionization detector (PID) were used to monitor the excavation activities. Soil vapor headspace measurements ranged from 1.1 to 55 parts per million volume during the excavation activities. Once field observations and PID measurements suggested that the soil was free of petroleum, confirmation soil samples were collected from each wall of the excavation pit. One soil sample (Iwilei-A) was collected from a depth of 3 feet bgs, from the east wall of the excavation pit. One soil sample (Iwilei-B) was collected from a depth of 3.5 feet bgs, from the south wall of the excavation pit. One soil sample (Iwilei-C) was collected from a depth of 3.5 feet bgs, from the north wall of the excavation pit. One soil sample (Iwilei-D) was collected from a depth of 5 feet bgs, from the west wall of the excavation pit.

All four soil samples were submitted to Environmental Services Network Pacific (ESN) where they were analyzed for total petroleum hydrocarbons as motor oil (TPH-O), total petroleum hydrocarbons as diesel (TPH-D), polynuclear aromatic hydrocarbons (PAHs), benzene, toluene, ethylbenzene, xylenes (BTEX), halogenated volatile organic compounds (HVOCs), polychlorinated biphenyls (PCBs), total lead and total cadmium. The results of the laboratory analyses indicated that all four samples contained no detectable concentration of the tested analytes or contained levels of contaminants that were below the HDOH Tier I soil action levels for the site.

One groundwater sample was collected from the installed monitoring well. The sample, Iwilei-MW10, was submitted to ESN and analyzed for TPH-O, TPH-D, PAHs, BTEX, PCB, HVOCs, total lead and total cadmium. The results of the laboratory analysis indicated that the concentrations of all tested analytes were not present above the laboratory detection limits, or were detected at levels below the HDOH Tier I Groundwater Action Levels.

During the excavation activities, two concrete dispenser islands were observed in the area. No dispenser units were present. M. Nakai Repair utilized a backhoe to remove the concrete dispenser islands from the ground to expose the subsurface piping. It appeared that each dispenser island was previously equipped with four dispenser units each. Piping from each of the eight dispenser unit vacancies were traced and found to enter a steel tank located beneath the northern dispenser island. The steel tank was measured to be approximately 2,000 gallons in

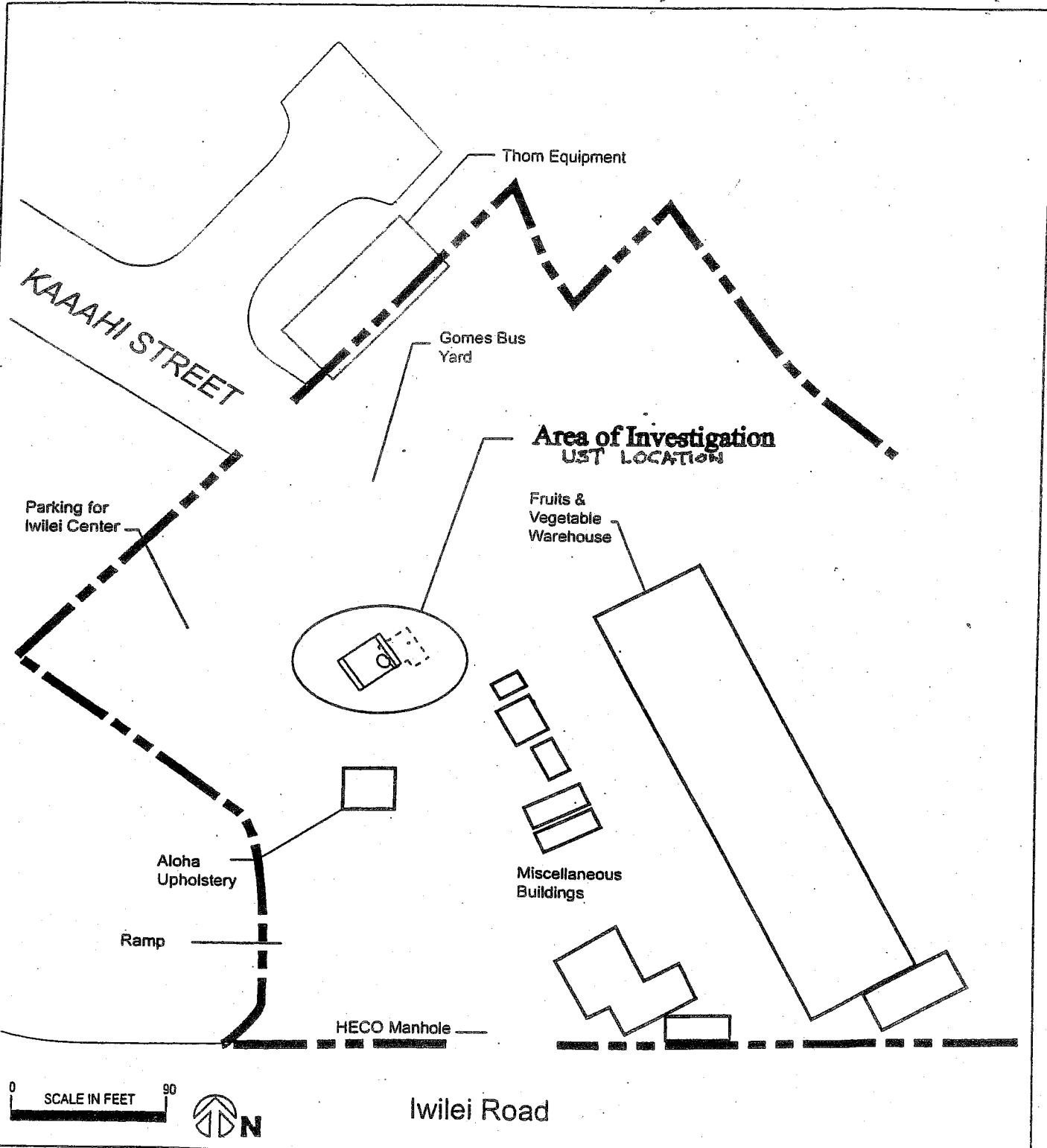
capacity. No other tanks were observed in the area.

Following receipt of the laboratory analysis, base course material was imported to the site and used to backfill the excavation.

RECOMMENDATIONS

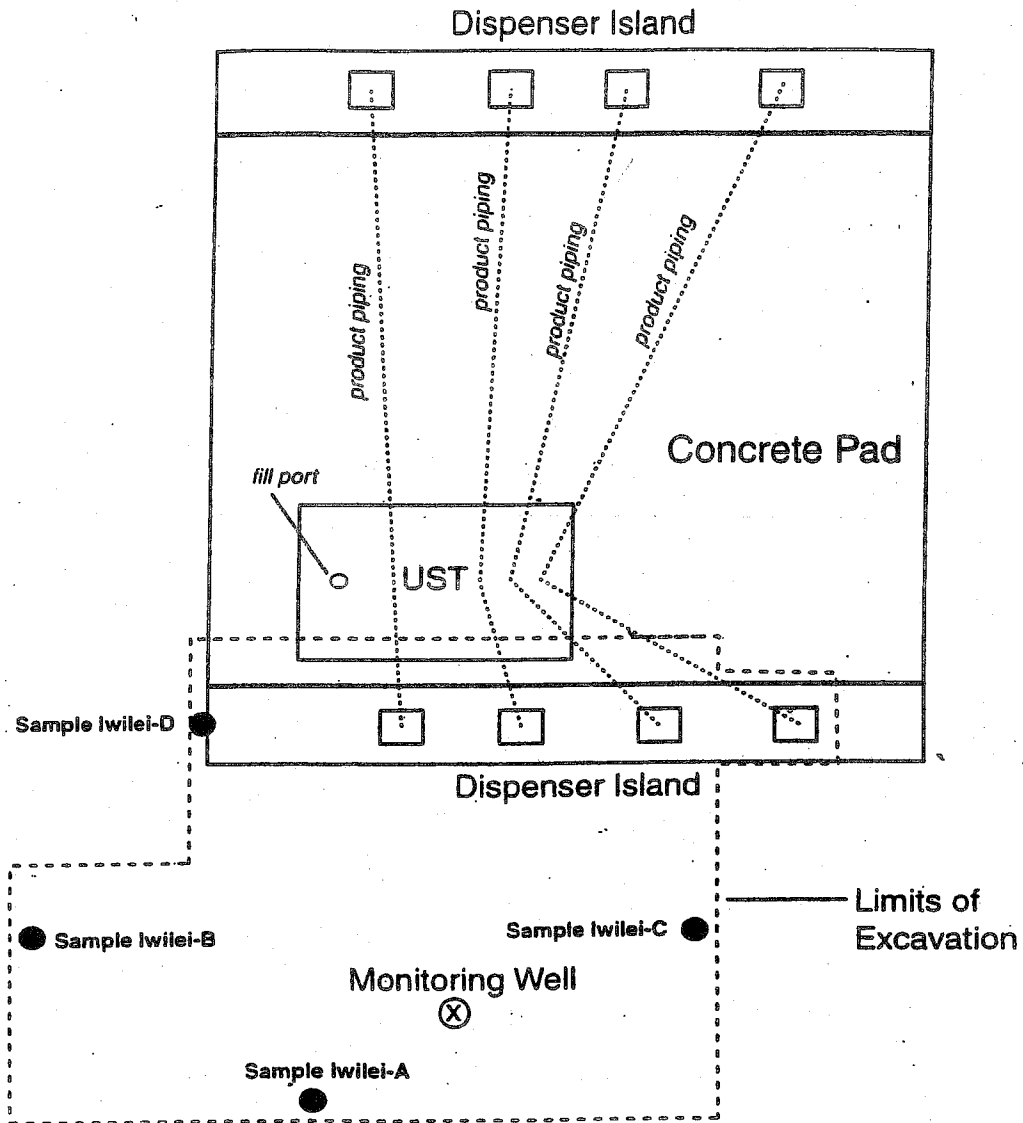
Based on field observations and laboratory analytical results, Kimura International recommends the following:

- The 2,000-gallon steel UST and its associated piping should be properly removed from the ground in accordance with HDOH rules and regulations;
- The approximate 75 cubic yards of petroleum contaminated soil should be properly characterized and disposed of. Due to the layout of the site (nearby storm drains, accessibility by public, etc.), Kimura International recommends that the soil be tested and removed from the site immediately.
- A copy of this report should be provided to the HDOH Hazard Evaluation and Emergency Response office.



**FIGURE 1
SITE LOCATION MAP**

REMEDIAL ACTION ACTIVITIES
HCDCH COMPONENT
OF THE IWILEI PROJECT SITE
MAY 2001



0 7
scale in feet

- = location of former dispenser pumps
- = Sample Locations

FIGURE 2
SITE LAYOUT MAP

REMEDIAL ACTION ACTIVITIES
HCDCH COMPONENT
OF THE IWILEI PROJECT SITE



DAGS

НДЕТН

